

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Superior Township, Michigan	County Chippewa
Audit Date 3/31/05	Opinion Date 7/7/05	Date Accountant Report Submitted to State: 9/16/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Anderson, Tackman & Company, PLC

Street Address

16978 S. Riley Avenue

City

Kincheloe

State

MI

ZIP

49788

Accountant Signature

Anderson Tackman & Co PLC

Date

9/16/05

SUPERIOR TOWNSHIP, MICHIGAN

BASIC FINANCIAL STATEMENTS

March 31, 2005

SUPERIOR TOWNSHIP, MICHIGAN

ELECTED OFFICIALS

TOWNSHIP SUPERVISOR

WALTER HYVARINEN

TOWNSHIP TREASURER

KATHY MUNSON

TOWNSHIP CLERK

MARY ANN CHARLES

TOWNSHIP TRUSTEE

WILLIAM BEAUNE

TOWNSHIP TRUSTEE

CHARLES COMPO

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Superior Township
Brimley, Michigan 49715

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of Superior Township, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of Superior Township, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Superior Township Board implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments as of April 1, 2004. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2005, on our consideration of the Township’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management’s Discussion and Analysis and the budgetary comparisons are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Superior Township, Michigan’s, basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Anderson, Tackman & Company, PLC
Certified Public Accountants

July 7, 2005

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets decreased 2.4% from a year ago decreasing from \$3,120,215 to \$3,043,087. In a condensed format, the table below shows a comparison of the net assets as of the current date.

The Township implemented GASB-34 accounting procedures for the period beginning April 1, 2004; therefore a comparative analysis cannot be performed this year. A comparative analysis will not be performed in future years because Townships with a population less than 2,000 people are required to be audited every other year.

In a condensed format, the table below shows the net assets of Superior Township.

	Governmental Activities <u>2005</u>	Business-type Activities <u>2005</u>	Total <u>2005</u>
Current Assets	\$ 160,851	\$ 226,349	\$ 387,200
Noncurrent Assets	<u>155,608</u>	<u>3,290,469</u>	<u>3,446,077</u>
Total Assets	<u>316,459</u>	<u>3,516,818</u>	<u>3,833,277</u>
Current Liabilities	12,002	21,688	33,690
Noncurrent Liabilities	<u>105,000</u>	<u>651,500</u>	<u>756,500</u>
Total Liabilities	<u>117,002</u>	<u>673,188</u>	<u>790,190</u>
Net Assets			
Invested in Capital Assets - Net of Debt	44,608	2,626,469	2,671,077
Unrestricted (Deficit)	154,849	165,635	320,484
Restricted	<u>-</u>	<u>51,526</u>	<u>51,526</u>
Total Net Assets	<u>\$ 199,457</u>	<u>\$ 2,843,630</u>	<u>\$ 3,043,087</u>

Superior Township, Michigan

Management's Discussion and Analysis March 31, 2005

The current level of unrestricted net assets for our governmental activities stands at \$154,849, or about 45% of expenses. This is within the targeted range set by the Township Board of Trustees during its last budget process.

The following table shows the activities of the Township.

	Governmental Activities 2005	Business-type Activities 2005	Total 2005
Program Revenues			
Charges for Services	\$ 7,184	\$ 240,815	\$ 247,999
Operating Grants	5,257	-	5,257
Capital Grants	15,857	-	15,857
General Revenues			
Property Taxes	85,618	-	85,618
State-Shared Revenues	90,316	-	90,316
Unrestricted Investment Earnings	2,556	1,956	4,512
Other Revenue	140,431	-	140,431
Transfers	<u>(62,000)</u>	<u>62,000</u>	<u>-</u>
Total Revenues	<u>285,219</u>	<u>304,771</u>	<u>589,990</u>
Program Expenses			
Legislative	5,380	-	5,380
General Government	98,955	-	98,955
Public Safety	47,883	-	47,883
Community Economic Development	1,191	-	1,191
Public Works	168,682	-	168,682
Health and Welfare	10,084	-	10,084
Interest Expense	5,415	-	5,415
Other Expenses	2,878	-	2,878
Sewer	-	149,633	149,633
Water	<u>-</u>	<u>177,017</u>	<u>177,017</u>
Total Expenses	<u>340,468</u>	<u>326,650</u>	<u>667,118</u>
Change in Net Assets	<u>\$ (55,249)</u>	<u>\$ (21,879)</u>	<u>\$ (77,128)</u>

Governmental Activities

The Township's total governmental revenues increased by approximately \$27,000, primarily due to the continuing increase in property tax values, a \$15,657 grant from the Bureau of Indian Affairs, and an increase in Tribal 2% funds.

Expenses, increased by about \$32,458 during the year. This was primarily the result of increased expenditures for streets and roads and continuing increases in insurance.

Business-Type Activities

The Township's largest business-type activities are the sewer and water. We provide water and sewer service to approximately 370 customers (residential and commercial) each month. Water revenues decreased between years by \$2,323 because of fewer hook ons. Sewer revenues decreased in 2004 primarily due to fewer penalties and hook ons. Sewer expenses increased from the prior year from increased maintenance and depreciation expense. Water fund expenses increased by \$2,875 attributed to inflating costs.

The Township's Funds

Our analysis of the Township's major funds begins on page 9, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2005 includes the General Fund, Sewer, Water, and Sewer Assessment.

The General Fund pays for most of the Township's governmental services. The most significant are public works and general government, which incurred expenses of approximately \$263,439 in 2005. These two services are largely supported by Property Taxes, Revenue Sharing, and Tribal 2% Funds, which are recorded in the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board did not amend the budget to take into account events during the year. Revenues exceeded expectations by 23,479. Township departments overall exceeded budget, resulting in total expenditures \$61,475 over budget. This caused the General Fund's fund balance to decrease from \$203,931 a year ago to \$142,456 at March 31, 2005.

Capital Asset and Debt Administration

At the end of 2005, the Township had \$3,446,077 invested in a broad range of capital assets, including buildings, ambulance and fire equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Chippewa Township Road Commission (along with the responsibility to maintain them). The Township reduced its outstanding debt by \$17,500 to an ending balance of \$775,000.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2005 calls for a freeze on property tax rates. This can be accomplished because of the strong growth in our tax base. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions. Also, reductions in State Revenue sharing continues to hurt the township.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Township Clerk's office at (906) 248-5213.

Basic Financial Statements

Superior Township, Michigan

Statement of Net Assets

March 31, 2005

	Governmental Activities	Business-Type Activities	Totals
ASSETS:			
Current Assets			
Cash & Equivalents - Unrestricted	\$ 44,022	\$ 187,369	\$ 231,391
- Restricted	-	51,526	51,526
Internal Loans	82,564	(82,564)	-
Accounts Receivable	23,003	49,441	72,444
Taxes Receivable	-	14,113	14,113
Prepaid Expenses	11,262	6,464	17,726
Total current assets	160,851	226,349	387,200
Noncurrent Assets			
Capital Assets (Net of Accumulated Depreciation)	155,608	3,290,469	3,446,077
TOTAL ASSETS	\$ 316,459	\$ 3,516,818	\$ 3,833,277
LIABILITIES:			
Current Liabilities			
Accounts Payable	\$ 2,855	\$ 3,019	\$ 5,874
Accrued Interest Payable	-	5,742	5,742
Other Liabilities	3,147	427	3,574
Installment Loans	6,000	-	6,000
Bonds Payable	-	12,500	12,500
Total current liabilities	12,002	21,688	33,690
Noncurrent Liabilities			
Installment Loans	105,000	-	105,000
Bonds Payable	-	651,500	651,500
Total noncurrent liabilities	105,000	651,500	756,500
TOTAL LIABILITIES	117,002	673,188	790,190
NET ASSETS:			
Invested in Capital Assets - net of related debt	44,608	2,626,469	2,671,077
Unrestricted	154,849	165,635	320,484
Restricted	-	51,526	51,526
TOTAL NET ASSETS	\$ 199,457	\$ 2,843,630	\$ 3,043,087

Superior Township, Michigan

Statement of Activities For the Year Ended March 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Legislative	\$ 5,380	\$ -	\$ -	\$ -	\$ (5,380)	\$ -	\$ (5,380)
General Government	98,955	6,543	5,257	-	(87,155)	-	(87,155)
Public Safety	47,883	477	-	15,657	(31,749)	-	(31,749)
Community & Economic Development	1,191	-	-	-	(1,191)	-	(1,191)
Public Works	168,682	164	-	-	(168,518)	-	(168,518)
Health & Welfare	10,084	-	-	200	(9,884)	-	(9,884)
Interest Expense	5,415	-	-	-	(5,415)	-	(5,415)
Other Expenses	2,878	-	-	-	(2,878)	-	(2,878)
Total Governmental Activities	340,468	7,184	5,257	15,857	(312,170)	-	(312,170)
Business-type Activities:							
Sewer	149,633	130,360	-	-	-	(19,273)	(19,273)
Water	177,017	110,455	-	-	-	(66,562)	(66,562)
Total Business-type Activities	326,650	240,815	-	-	-	(85,835)	(85,835)
Total Primary Government	\$ 667,118	\$ 247,999	\$ 5,257	\$ 15,857	(312,170)	(85,835)	(398,005)
General Revenues:							
Taxes					85,618	-	85,618
State Revenue Sharing					90,316	-	90,316
Other					140,431	-	140,431
Investment Earnings (Loss)					2,556	1,956	4,512
Transfers					(62,000)	62,000	-
Total General Revenues and Transfers					256,921	63,956	320,877
Change in Net Assets					(55,249)	(21,879)	(77,128)
Net Assets - Beginning					254,706	2,865,509	3,120,215
Net Assets - Ending					\$ 199,457	\$ 2,843,630	\$ 3,043,087

See accompanying notes to financial statements.

Superior Township, Michigan

Balance Sheet Governmental Funds March 31, 2005

	General	Nonmajor funds	Total Governmental Funds
ASSETS:			
Cash & Equivalents - Unrestricted	\$ 31,629	\$ 12,393	\$ 44,022
Accounts Receivable	23,003	-	23,003
Due from Other Funds	82,564	-	82,564
Prepaid Expenses	11,262	-	11,262
TOTAL ASSETS	\$ 148,458	\$ 12,393	\$ 160,851
LIABILITIES:			
Accounts Payable	\$ 2,855	\$ -	\$ 2,855
Other Liabilities	3,147	-	3,147
TOTAL LIABILITIES	6,002	-	6,002
FUND BALANCES:			
Unreserved:			
Undesignated	142,456	12,338	154,794
Designated for Capital Projects	-	55	55
TOTAL FUND BALANCES	142,456	12,393	154,849
TOTAL LIABILITIES AND FUND BALANCES	\$ 142,456	\$ 12,393	
Reconciliation to amounts reported for governmental activities in the statement of net assets:			
Capital assets used by governmental activities			155,608
Long-term debt payable by governmental activities			(111,000)
Net assets of governmental activities			\$ 199,457

Superior Township, Michigan

Statement of Changes in Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended March 31, 2005

	General	Nonmajor funds	Totals Governmental Funds
REVENUES:			
Taxes	\$ 85,618	\$ -	\$ 85,618
Federal Sources	14,379	-	14,379
State Sources	95,573	-	95,573
Local Sources	140,431	-	140,431
Charges for Services	4,557	-	4,557
Refunds & Reimbursements	564	-	564
Interest & Rentals	2,491	65	2,556
Contributions	-	1,278	1,278
Other Revenue	2,063	200	2,263
TOTAL REVENUES	345,676	1,543	347,219
EXPENDITURES:			
Legislative	5,380	-	5,380
General Government	94,757	-	94,757
Public Safety	28,664	1,823	30,487
Community & Economic Development	1,191	-	1,191
Health & Welfare	9,908	176	10,084
Public Works	168,682	-	168,682
Capital Outlay	24,304	-	24,304
Debt Service	11,415	-	11,415
Other Expenditures	1,050	-	1,050
TOTAL EXPENDITURES	345,351	1,999	347,350
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	325	(456)	(131)
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	200	-	200
Operating Transfers Out	(62,000)	(200)	(62,200)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(61,475)	(656)	(62,131)
FUND BALANCES, APRIL 1	203,931	13,049	216,980
FUND BALANCES, MARCH 31	\$ 142,456	\$ 12,393	\$ 154,849

Superior Township, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2005

Net changes in fund balances – total governmental funds	\$ (62,131)
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The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$22,476 exceeded depreciation expense (\$21,594).

882

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

6,000

Changes in net assets of governmental funds

\$ (55,249)

Superior Township, Michigan

Statement of Net Assets

Proprietary Funds

March 31, 2005

	Business-Type Activities				
	Enterprise Funds				Totals
	Sewer	Water	Sewer Assessment	Nonmajor Water Bond Reserve Replacement	
ASSETS:					
Current Assets					
Cash & Equivalents - Unrestricted	\$ 170,268	\$ 75	\$ 17,026	\$ -	\$ 187,369
- Restricted	-	-	-	51,526	51,526
Accounts Receivable	23,795	25,646	-	-	49,441
Taxes Receivable	-	-	14,113	-	14,113
Due from Other Funds	-	-	55,819	-	55,819
Prepaid Expenses	3,268	3,196	-	-	6,464
Total Current Assets	197,331	28,917	86,958	51,526	364,732
Non-current assets:					
Capital Assets (net of accumulated depreciation)	177,887	1,478,083	1,634,499	-	3,290,469
TOTAL ASSETS	\$ 375,218	\$ 1,507,000	\$ 1,721,457	\$ 51,526	\$ 3,655,201
LIABILITIES:					
Current Liabilities					
Accounts Payable	\$ 2,521	498	-	-	\$ 3,019
Accrued Interest Payable	-	5,742	-	-	5,742
Due to Other Funds	7,032	131,351	-	-	138,383
Other Liabilities	148	279	-	-	427
Bonds Payable	-	12,500	-	-	12,500
Total Current Liabilities	9,701	150,370	-	-	160,071
Noncurrent Liabilities:					
Bonds Payable	-	651,500	-	-	651,500
TOTAL LIABILITIES	9,701	801,870	-	-	811,571
NET ASSETS					
Invested in Capital Assets (net of related debt)	177,887	814,083	1,634,499	-	2,626,469
Unreserved	187,630	(108,953)	86,958	-	165,635
Reserved	-	-	-	51,526	51,526
TOTAL NET ASSETS	365,517	705,130	1,721,457	51,526	2,843,630
TOTAL LIABILITIES AND NET ASSETS	\$ 375,218	\$ 1,507,000	\$ 1,721,457	\$ 51,526	\$ 3,655,201

Superior Township, Michigan

Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds For the Year Ended March 31, 2005

	Business-Type Actives				
	Enterprise Funds				
			Sewer	Nonmajor Water Bond Reserve	
	Sewer	Water	Assessment	Replacement	Totals
OPERATING REVENUES:					
Taxes	\$ -	\$ -	\$ 21,957	\$ -	\$ 21,957
Charges for Services	108,365	109,183	29	-	217,577
Other	9	1,272	-	-	1,281
Total Operating Revenues	108,374	110,455	21,986	-	240,815
OPERATING EXPENSES:					
Employee Wages & Benefits	41,023	42,138	-	-	83,161
Fees for Services	3,427	11,962	-	-	15,389
Depreciation	8,134	47,694	60,981	-	116,809
Supplies	4,408	5,032	-	-	9,440
Insurance	8,256	9,083	-	-	17,339
Repairs & Maintenance	1,966	2,163	-	-	4,129
Small Tools & Equipment	2,036	14,853	-	-	16,889
Utilities	9,893	6,784	-	-	16,677
Miscellaneous	9,459	1,084	50	-	10,593
Total Operating Expenses	88,602	140,793	61,031	-	290,426
Operating Income (Loss)	19,772	(30,338)	(39,045)	-	(49,611)
NON-OPERATING REVENUES (EXPENSES):					
Interest Expense	-	(36,224)	-	-	(36,224)
Interest on Deposits	709	-	768	479	1,956
Operating Transfers In	-	62,000	-	12,655	74,655
Operating Transfers Out	-	(12,655)	-	-	(12,655)
Total Non-Operating Revenues (Expenses)	709	13,121	768	13,134	27,732
Change in Net Assets	20,481	(17,217)	(38,277)	13,134	(21,879)
NET ASSETS, APRIL 1	345,036	722,347	1,759,734	38,392	2,865,509
NET ASSETS, MARCH 31	<u>\$ 365,517</u>	<u>\$ 705,130</u>	<u>\$ 1,721,457</u>	<u>\$ 51,526</u>	<u>\$ 2,843,630</u>

Superior Township, Michigan

Statement of Cash Flows Proprietary Funds For the Year Ended March 31, 2005

	Business-type Activities				
	Enterprise Funds				
	Sewer	Water	Sewer Assessment	Nonmajor Water Bond Reserve/Replacement	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Customers/payments (to) from other governmental units	\$ 118,455	\$ 117,832	\$ 30,046	\$ -	\$ 266,333
Payments to Suppliers	(46,128)	(75,049)	(23,777)	-	(144,954)
Payments to Employees	(41,023)	(42,138)	-	-	(83,161)
Net Cash Provided (Used) by Operating Activities	31,304	645	6,269	-	38,218
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchase of Capital Assets	-	(5,045)	-	-	(5,045)
Principal Payments	-	(11,500)	-	-	(11,500)
Interest Payments	-	(36,224)	-	-	(36,224)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(52,769)	-	-	(52,769)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:					
Operating transfers in	-	62,000	-	12,655	74,655
Operating transfers out	-	(12,655)	-	-	(12,655)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	-	49,345	-	12,655	62,000
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on Deposits	709	-	768	479	1,956
Net Cash Provided (Used) by Investing Activities	709	-	768	479	1,956
Net Increase (Decrease) in Cash and Cash Equivalents	32,013	(2,779)	7,037	13,134	49,405
Balances - Beginning of the Year	138,255	2,854	9,989	38,392	189,490
Balances - End of the Year	<u>\$ 170,268</u>	<u>\$ 75</u>	<u>\$ 17,026</u>	<u>\$ 51,526</u>	<u>\$ 238,895</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 19,772	\$ (30,338)	\$ (39,045)	\$ -	\$ (49,611)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	8,134	47,694	60,981	-	116,809
Change in Assets and Liabilities:					
Taxes Receivable	-	-	6,153	-	6,153
Accounts Receivable	3,335	1,919	-	-	5,254
Due From Other Governmental Units	291	1,531	1,907	-	3,729
Due From Other Funds	8,032	5,497	-	-	13,529
Prepays	(1,577)	(1,570)	-	-	(3,147)
Accounts Payable	1,453	(363)	-	-	1,090
Accrued Interest Payable	-	5,742	-	-	5,742
Due to Other Funds	(7,585)	(27,667)	(1,553)	-	(36,805)
Other Liabilities	(551)	(1,800)	(22,174)	-	(24,525)
Net Cash Provided by Operating Activities	<u>\$ 31,304</u>	<u>\$ 645</u>	<u>\$ 6,269</u>	<u>\$ -</u>	<u>\$ 38,218</u>

Superior Township, Michigan

Statement of Fiduciary Net Assets Fiduciary Funds March 31, 2005

	<u>Current Tax Collection Fund</u>
ASSETS:	
Cash & Cash Equivalents	<u>\$ 3,278</u>
 TOTAL ASSETS	 <u><u>\$ 3,278</u></u>
LIABILITIES:	
Due to General Fund	<u>\$ 3,278</u>
 TOTAL LIABILITIES	 <u><u>\$ 3,278</u></u>

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Superior Township, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

A – Reporting Entity:

Financial Reporting Entity

Superior Township ("The Township") is a regular law Michigan township located in the eastern portion of Michigan's Upper Peninsula.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including fire protection, public works, community enrichment and development and health services.

The Township, for financial purposes, includes all of the funds relevant to the operations of Superior Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Superior Township.

B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and proprietary funds are reported as separate columns in the fund financial statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The Superior Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Superior Township as of the preceding December 31st.

The 2004 taxable valuation of the Superior Township totaled \$29,352,620, on which ad valorem taxes levied consisted of 1.6250 mills for the Township operating, raising \$47,212 for operating. This amount is recognized in the General Fund financial statements as tax revenue.

The Township reports the following major governmental funds:

General Fund

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Water

This Fund accounts for water operations of the Township.

Sewer

This Fund accounts for wastewater disposal and treatment operations in the Township.

Sewer Assessment

This Fund accounts for wastewater disposal and treatment operations within the special assessment district of the Township.

Additionally, the Township reports the following fund types:

Capital Project Funds

The Capital Project Funds are used to account for the acquisition of fixed assets or construction of major capital projects not financed by proprietary or nonexpendable trust funds. The Water Improvement Project is a capital project fund.

Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. Payments made to vendors for services that will benefit periods beyond March 31, 2005, are recorded as prepaid items.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, water systems, sewer systems, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the respective grants.

Interfund Transfers – During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each March, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing April 1 and lapses on March 31. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through a resolution passed by the Township Board.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Trustees during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Budget Violations – Public Act 621 of 1978, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

Expenditures that exceeded appropriations by material amounts are as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Public Safety	11,454	28,664	17,210
Debt Service	-	11,415	11,415
Transfers Out	12,000	62,000	50,000

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents –			
Unrestricted	\$ 44,022	\$ 187,369	\$ 3,278
Restricted	-	51,526	-

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Petty Cash	\$ 185	\$ -
Bank Deposits (checking and savings accounts	78,749	3,278
Money Market Savings	<u>203,983</u>	<u>-</u>
Total	<u>\$ 282,917</u>	<u>\$ 3,278</u>

Cash is restricted in the water bond reserve and replacement fund for bond repayment and water system replacement.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the carrying amount of the Township's primary and fiduciary deposits was \$286,010 and the bank balance was \$524,725. Of the bank balance, \$157,410, approximately 30%, was covered by federal depository insurance according to FDIC regulations. None of the Townships deposits were collateralized at year-end.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the Township and specific funds. They are recorded in Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 2,600	\$ -	\$ -	\$ 2,600
Subtotal	<u>2,600</u>	<u>-</u>	<u>-</u>	<u>2,600</u>
Capital assets being depreciated:				
Building	76,500	-	-	76,500
Equipment	18,900	22,476	-	41,376
Motor Vehicles	<u>235,532</u>	<u>-</u>	<u>-</u>	<u>235,532</u>
Subtotal	<u>330,932</u>	<u>22,476</u>	<u>-</u>	<u>353,408</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Less accumulated depreciation for:				
Buildings	64,700	743	-	65,443
Equipment	11,340	4,529	-	15,869
Motor Vehicles	<u>102,766</u>	<u>16,322</u>	<u>-</u>	<u>119,088</u>
Subtotal	<u>178,806</u>	<u>21,594</u>	<u>-</u>	<u>200,400</u>
Net Capital Assets Being Depreciated	<u>152,126</u>	<u>882</u>	<u>-</u>	<u>153,008</u>
Total				
Total Capital Assets - Net of Depreciation	<u>\$ 154,726</u>	<u>\$ 882</u>	<u>\$ -</u>	<u>\$ 155,608</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 4,198
Public Safety	<u>17,396</u>

Total Governmental Activities \$ 21,594

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	<u>\$ 64,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,265</u>
Subtotal	<u>64,265</u>	<u>-</u>	<u>-</u>	<u>64,265</u>
Capital assets being depreciated:				
Water & Sewer Mains	3,951,471	-	-	3,951,471
Buildings	29,666	-	-	29,666
Equipment	918,117	5,045	-	923,162
Motor Vehicles	<u>17,500</u>	<u>-</u>	<u>-</u>	<u>17,500</u>
Subtotal	<u>4,916,754</u>	<u>5,045</u>	<u>-</u>	<u>4,921,799</u>
Less accumulated depreciation for:				
Water & Sewer Mains	1,123,391	88,608	-	1,211,999
Buildings	13,478	930	-	14,408
Equipment	424,417	27,271	-	451,688
Motor Vehicles	<u>17,500</u>	<u>-</u>	<u>-</u>	<u>17,500</u>
Subtotal	<u>1,578,786</u>	<u>116,809</u>	<u>-</u>	<u>1,695,595</u>
Net Capital Assets Being Depreciated	<u>3,337,968</u>	<u>(111,764)</u>	<u>-</u>	<u>3,226,204</u>
Total Capital Assets - Net of Depreciation	<u>\$ 3,402,233</u>	<u>\$ (111,764)</u>	<u>\$ -</u>	<u>\$ 3,290,469</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The Township reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS		
	General	Sewer Assessment	Totals
Water	\$ 75,532	\$ 55,819	\$ 131,351
Sewer	7,032	-	7,032
Total	<u>\$ 82,564</u>	<u>\$ 55,819</u>	<u>\$ 138,383</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

TRANSFERS IN	TRANSFERS OUT			
	General Fund	Water Fund	Nonmajor Ambulance Fund	Total
General Fund	\$ -	\$ -	\$ 200	\$ 200
Water	62,000	-	-	62,000
Water Reserve & Replacement	-	12,655	-	12,655
Total	<u>\$ 62,000</u>	<u>\$ 12,655</u>	<u>\$ 200</u>	<u>\$ 74,855</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - LONG-TERM DEBT:

General Long-Term Debt - The bonds payable reflected in the basic financial statements consist of general obligation notes incurred by Superior Township. The Township has pledged the general full faith and credit of the Township for the payment of principal and interest on the bonds. The user fees of the water fund are used as security for revenue bonds on the water fund.

Changes in long-term debt during the year ending March 31, 2005 are summarized as follows:

	Balance 04/01/04	Additions	Deductions	Balance 03/31/05	Due Within One Year
Enterprise Funds:					
1977 Chippewa County Water Supply System Bonds, maturing serially to 2016 In annual amounts ranging from \$4,000 to \$7,000 and bearing interest of 5% semiannually.	\$ 70,000	\$ -	\$ 5,000	\$ 65,000	\$ 5,000
Chippewa County Water Supply System Bonds, Series 2000A, maturing serially to 2040 in annual Amounts ranging from \$5,000 to \$31,000 and bearing interest of 4.5% semiannually.	579,000	-	6,000	573,000	7,000
Chippewa County Water Supply System, Bonds Series 2000 B, maturing semiannually to 2040 in annual amounts ranging from \$500 to \$1,500 and bearing interest of 4.5% semiannually.	<u>26,500</u>	<u>-</u>	<u>500</u>	<u>26,000</u>	<u>500</u>
Total Enterprise Funds	<u>675,500</u>	<u>-</u>	<u>11,500</u>	<u>664,000</u>	<u>12,500</u>
General Long-Term Debt:					
Fire Truck financing with Rural Development, due in annual installments of \$6,000 to \$11,000 through 2017, interest of 4.75% due semiannually.	<u>117,000</u>	<u>-</u>	<u>6,000</u>	<u>111,000</u>	<u>6,000</u>
TOTAL LONG-TERM OBLIGATIONS	<u>\$ 792,500</u>	<u>\$ -</u>	<u>\$ 17,500</u>	<u>\$ 775,000</u>	<u>\$ 18,500</u>

NOTE 6 - LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for the above obligations are as follows:

Year End March 31	Business-type Activities		Governmental Activities	
	Principal	Interest	Principal	Interest
2006	\$ 12,500	\$ 29,912	\$ 6,000	\$ 5,130
2007	12,500	29,323	7,000	4,821
2008	12,500	28,737	7,000	4,488
2009	12,500	28,149	7,000	4,156
2010	13,500	27,539	8,000	3,800
2011-2015	74,500	127,723	44,000	13,062
2016-2020	71,500	109,743	32,000	2,327
2021-2025	72,500	95,374	-	-
2026-2030	92,000	75,981	-	-
2031-2035	115,000	52,763	-	-
2036-2040	142,500	23,974	-	-
2041-2045	32,500	732	-	-
Total	<u>\$ 664,000</u>	<u>\$ 629,950</u>	<u>\$ 111,000</u>	<u>\$ 37,784</u>

Interest expense in the Enterprise funds is included totally as a direct expense of water operations.

NOTE 7 - LEASE OBLIGATION

The Township is obligated under an operating lease. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreement is not capitalized as a fixed asset. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of March 31, 2005:

Year Ending March 31	Amount
2006	\$ 200
2007	200
2008	200
2009	200
2010	200
2011-2015	1,000
2016-2020	1,000
2021-2025	1,000
2026-2030	1,000
2031-2035	1,000
2036-2040	1,000
2041-2045	1,000
2046-2050	1,000
2051-2054	<u>800</u>
Total	<u>\$ 9,800</u>

Lease payments totaling \$200 were paid during the year.

NOTE 8 - DEFINED CONTRIBUTION (MONEY PURCHASE) PENSION PLAN

The Township maintains a pension plan for its salaried employees that is administered by the John Hancock Life Insurance Company, acting as an Investment Fiduciary. This plan is a defined contribution pension plan for Michigan Township employees. All salaried employees are eligible to participate in the plan. There is no minimum age or service requirement. The employer's contribution for each participant will be calculated based upon the basic annual rate of compensation paid to each employee. The following details the annual contributions by the Township based upon compensation received:

<u>Compensation Received</u>	<u>Annual Contribution by Township</u>
\$ 499 and less	\$ 75
500 to 999	150
1,000 to 1,499	225
1,500 to 1,999	300
2,000 to 2,499	375
2,500 to 2,999	450
3,000 and over	525

All participants are 100% vested at all times. A participant will attain his normal retirement age on the date he attains age 65 or, if later, on the 10th anniversary of the official's entry date. Early retirement is permitted at any time after attaining age 55.

Payments totaling \$10,286 including employee contributions, were made during the year. The Townships current year contribution to the plan amounted to \$7,716. Total wages for all employees in the plan amounted to \$84,409, for the year ended March 31, 2005. Total wages for all employees amounted to \$127,973 for the year ended March 31, 2005.

NOTE 9 - RISK MANAGEMENT

Risk Management – The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its general insurance coverage.

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 - RISK MANAGEMENT (Continued)

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The government is unable to provide an estimate of the amounts of additional assessments.

NOTE 10 - CONTINGENT LIABILITIES

The Township has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Township at March 31, 2005.

NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS:

Segment information for the year ended June 30, 2004, is as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Sewer Assessment</u>	<u>Water Bond Reserve / Replacement</u>
Operating Revenues	\$ 108,374	\$ 110,455	\$ 21,986	\$ -
Depreciation	8,134	47,694	60,981	-
Operating Income (Loss)	19,772	(30,338)	(39,045)	-
Operating Interfund				
Transfers (net)	-	49,345	-	12,655
Net Income (Loss)	20,481	(17,217)	(38,277)	13,134
Property, Plant and Equipment				
Additions (net)	-	5,045	-	-
Net Working Capital	187,630	(121,453)	86,958	51,526
Total Assets	375,218	1,507,000	1,721,457	51,526
Bonds and Other Long-Term				
Liabilities Payable from				
Operating Revenues	-	651,500	-	-
Total Equity	365,517	705,130	1,721,457	51,526

NOTE 12 - RESTRICTED/RESERVED NET ASSETS

Net assets have been restricted/reserved in the Business-type activities/water fund for repayment on water system bonds and water system replacement.

NOTE 13 - SPECIAL ASSESSMENTS RECEIVABLE AND DEFERRED REVENUE

At the time special assessments are approved, the amount of the assessments and related deferred revenue are recorded representing the total assessment due. Collections are recognized as they occur over the life of the assessment, ranging from 10 to 20 years. Early payment is permitted. Unpaid assessments are added to property tax bills and are accorded treatment similar to unpaid property tax, in that the County revolving tax fund will pay those delinquent amounts. The deferred revenue is recognized ratably over the term of the assessment.

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

Effective April 1, 2004 the Township implemented several new accounting standards issued by GASB:

Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, as amended by Statement No. 36, Recipient Reporting for Certain Shared Non-Exchange Revenues, which establishes standards for recording non-exchange transactions on the modified accrual and accrual basis of accounting.

Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as amended by Statement No. 37, Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments Omnibus, which established new financial reporting standards for state and local governments. This statement requires significant change in the financial reporting model used by local governments, eliminating account groups and utilizing full accrual basis of accounting and the economic resources measurement focus. Another significant change is the Management Discussion and Analysis Section, which provides an overall analysis of the financial position and results of operations and conditions that could have significant effect on the financial position or results of operations.

Statement No. 38, Certain Financial Statement Note Disclosures, which requires certain note disclosures when implementing GASB Statement 34.

Required Supplemental Information

Superior Township, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended March 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 77,227	\$ 77,227	\$ 85,618	\$ 8,391
Federal Sources	-	-	14,379	14,379
State Sources	97,820	97,820	95,573	(2,247)
Local Sources	140,000	140,000	140,431	431
Charges for Services	1,700	1,700	4,557	2,857
Refunds & Reimbursements	100	100	564	464
Interest & Rentals	3,950	3,950	2,491	(1,459)
Other Revenue	1,400	1,400	2,063	663
TOTAL REVENUES	322,197	322,197	345,676	23,479
EXPENDITURES:				
Legislative:				
Township Board	6,580	6,580	5,380	1,200
General Government:				
Supervisor	10,977	10,977	9,360	1,617
Elections	2,010	2,010	6,125	(4,115)
Assessor	15,600	15,600	15,028	572
Clerk	27,050	27,050	24,812	2,238
Board of Review	601	601	208	393
Treasurer	15,395	15,395	14,367	1,028
Building & Grounds	16,493	16,493	20,265	(3,772)
Cemetery	2,830	2,830	4,592	(1,762)
Total General Government	90,956	90,956	94,757	(3,801)
Public Safety:				
Fire Department	11,454	11,454	28,664	(17,210)
Community & Economic Development:				
Zoning	729	729	1,191	(462)
Public Works:				
Highways, Streets & Bridges	173,247	173,247	168,682	4,565
Sanitation	200	200	-	200
Total Public Works	173,447	173,447	168,682	4,765
Health & Welfare:				
Ambulance	6,662	6,662	9,908	(3,246)
Capital Outlay	19,635	19,635	24,304	(4,669)

Superior Township, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended March 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Debt Service:				
Principal	-	-	6,000	(6,000)
Interest	-	-	5,415	(5,415)
Total Debt Service	-	-	11,415	(11,415)
Other Expenditures:				
Other	934	934	1,050	(116)
TOTAL EXPENDITURES	310,397	310,397	345,351	(34,954)
EXCESS OF REVENUES OVER EXPENDITURES	11,800	11,800	325	(11,475)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	200	200	200	-
Operating Transfers Out	(12,000)	(12,000)	(62,000)	(50,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	(61,475)	<u>\$ (61,475)</u>
FUND BALANCE, APRIL 1			203,931	
FUND BALANCE, MARCH 31			<u>\$ 142,456</u>	

Other Supplemental Information

Superior Township, Michigan

Combining Balance Sheet Nonmajor Governmental Funds March 31, 2005

	Special Revenue Funds		Capital Project Funds	
	Ambulance Fund	Fire Fund	Water Improvement Project	Totals
ASSETS:				
Cash & Equivalents - Unrestricted	\$ 9,735	\$ 2,603	\$ 55	\$ 12,393
TOTAL ASSETS	<u>\$ 9,735</u>	<u>\$ 2,603</u>	<u>\$ 55</u>	<u>\$ 12,393</u>
LIABILITIES:				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:				
Unreserved				
Undesignated	9,735	2,603	-	12,338
Designated for Capital Projects	-	-	55	55
TOTAL FUND BALANCES	<u>9,735</u>	<u>2,603</u>	<u>55</u>	<u>12,393</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,735</u>	<u>\$ 2,603</u>	<u>\$ 55</u>	<u>\$ 12,393</u>

Superior Township, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds For the Year Ended March 31, 2005

	Special Revenue Funds		Capital Project Fund	
	Ambulance Fund	Fire Fund	Water Improvement Project	Totals
REVENUES:				
Contributions	\$ 250	\$ 1,028	\$ -	\$ 1,278
Interest & Rentals	46	19	-	65
Other	200	-	-	200
TOTAL REVENUES	496	1,047	-	1,543
EXPENDITURES:				
Public Safety	-	1,823	-	1,823
Health & Welfare	176	-	-	176
TOTAL EXPENDITURES	176	1,823	-	1,999
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	320	(776)	-	(456)
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(200)	-	-	(200)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	120	(776)	-	(656)
FUND BALANCES, APRIL 1	9,615	3,379	55	13,049
FUND BALANCES, MARCH 31	\$ 9,735	\$ 2,603	\$ 55	\$ 12,393

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
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DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Township of Superior
Brimley, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Superior Township, Michigan as of and for the year ended March 31, 2005, which collectively comprise Superior Township's basic financial statements and have issued our report thereon dated July 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Superior Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Superior Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 05-1.

This report is intended solely for the information and use of the Board of Trustees, audit committee, management, and federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

Anderson, Tackman & Company, PLC
Certified Public Accountants

July 7, 2005

NONCOMPLIANCE WITH STATE STATUTES

Expenditures in Excess of Appropriations—Budgetary Funds

Finding 05-1

Condition: Our examination of procedures used by the Township to adopt and maintain operating budgets for the Township's budgetary fund revealed the following instances of noncompliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act.

The Township's 2004-2005 General Appropriations Act (budget) provided for expenditures of the General Fund to be controlled to the activity level. As detailed, actual 2004-2005 expenditures exceeded the board's approved budget allocations for some general fund activities.

During the fiscal year ended March 31, 2005, expenditures were incurred in excess of amounts appropriated in the amended budgets for the General Fund as listed in Note 2 of the financial statements.

Criteria: The expenditures of funds in excess of appropriations is contrary to the provisions of Section 16 of Public Act 2 of 1968, as amended.

Recommendation: We recommend that the Township and personnel responsible for administering the activities of the various funds of the Township, develop budgetary control procedures for the General Fund which will assure that expenditures do not exceed amounts authorized in the General Appropriations Act, or amendments thereof.

Management's Response—Corrective Action Plan: Management has agreed to correct the problem by monitoring the budgets more closely and performing budget amendments on a timely basis.



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT TO MANAGEMENT

Board of Trustees
Superior Township
Brimley, Michigan 49715

We have audited the financial statements of Superior Township, Michigan for the year ended March 31, 2005, and have issued our report thereon dated July 7, 2005. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Superior Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Superior Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. The Township did implement the provisions of GASB Statement #34 during the current year as described in note 14.

Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability. Useful lives of Fixed Assets are an example of the Township's accounting estimates.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process. Significant audit adjustments were made to correct various errors. In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's basic financial statements or a determination of the type of auditors' opinion to be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

Water & Sewer Accounts Receivable/Billings (Prior Comment)

Superior Township has installed a new computer program. Once the new system is implemented, management will be able to process outstanding receivable reports and aging reports. It is recommended that the computerized billing system for the water and sewer operations, be implemented as soon as possible.

Special Assessments (Prior Comment)

During testing of Special Assessments Receivable, we noted some immaterial differences for some individual property owners (i.e. Special Assessments ledger did not equal the individuals property owners records). We recommend that the Special Assessments ledger be reconciled to the individuals records to ensure that all payments be recorded completely and accurately.

Custody of Non-Township Funds (Ambulance) (Prior Comment)

The Township has been deducting funds from ambulance employee wages to create a separate reserve for items needed by those employees. These funds are co-mingled with the other funds of the ambulance operations. Based on our experience and the advice of Michigan Township Legal Counsel, these funds belong to a separate association and should not be included in the Township's records. Also, the Township should not have custody of these monies.

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing any of the above recommendations, please contact us.

Conclusion

This letter is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, pass through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

July 7, 2005